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Strengthening Public Pension Systems in Asia

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Strengthening Public Pension Systems in Asia

Abstract

[Excerpt] While Asia remains a key driver of global economic growth, the outlook for the region anticipates slow marginal growth for 2015 before rebounding in 2016 and remaining stronger for the next 2 years. India's growth and the increased demand from the United States of America (US) will offset slower growth in the People's Republic of China (PRC).

Downside risks may impact the regional economic outlook. First, the anticipated rise in US interest rates, while indicative of a continued recovery in the global economy, will hit the region during a time when growth remains tempered. The Eurozone recovery is still constrained by the debt crisis, which has global implications. Ongoing fears about the stability of PRC's financial markets may also have an impact.

Fears of instability remain in Asia's domestic financial markets despite the capital inflows that have underpinned the rapid economic growth in the region. The recent global and domestic shocks, along with the "taper tantrum" in the spring of 2013, the continuing decline in global oil prices, and PRC's adjustments to its monetary and financial policies, have contributed to volatility in regional financial markets.

Looking at longer-term trends, rapidly aging Asian populations and socio-cultural changes in the informal, family-based, old-age support mechanisms have created a rising demand for income and support services for the elderly and the poor. Therefore, governments and their populations are rightfully concerned about the long-term sustainability of their social security and fiscal health.

Public pension systems must find ways to cope with these pressures while many already struggle with structural challenges such as early retirement ages, diverging replacement rates under different systems, liberal withdrawal policies, and limited coverage. These factors are further exacerbated by restrictive investment mandates, which significantly curtail the ability of many developing pension systems to seek higher returns through a more diversified investment portfolio.

Keywords

Asia, public pensions, retirement, portfolio, investments

Comments

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Proceedings of the 2015 ADB—PPI Conference on Public Pension Systems in Asia, Focus: Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam, and Thailand

3-4 September 2015

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Myanmar, Viet Nam, and Thailand

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Executive Summary

On 3-4 September 2015, at its Thailand Resident Mission, the Asian Development Bank (ADB) hosted a subregional program titled “Strengthening Public Pension Systems in Asia”, which was focused on Cambodia, Lao People’s Democratic Republic, Myanmar, Viet Nam, and Thailand (CLMVT).

A delegation of 33 representatives from pension funds and relevant government organizations from all of the CLMVT economies, along with the ADB, the World Bank, the Organization for Economic Co-operation and Development, and members of academia participated in the one-and-a-half days of discussions.

The opening keynote highlighted a number of global and regional economic factors that affect the delivery of social security and provided the context for a number of planned pension reforms in the region and globally.

While Asia remains a key driver of global economic growth, the outlook for the region anticipates slow marginal growth for 2015 before rebounding in 2016 and remaining stronger for the next 2 years. India’s growth and the increased demand from the United States of America (US) will offset slower growth in the People’s Republic of China (PRC).

Downside risks may impact the regional economic outlook. First, the anticipated rise in US interest rates, while indicative of a continued recovery in the global economy, will hit the region during a time when growth remains tempered. The Eurozone recovery is still constrained by the debt crisis, which has global implications. Ongoing fears about the stability of PRC’s financial markets may also have an impact.

Fears of instability remain in Asia’s domestic financial markets despite the capital inflows that have underpinned the rapid economic growth in the region. The recent global and domestic shocks, along with the “taper tantrum” in the spring of 2013, the continuing decline in global oil prices, and PRC’s adjustments to its monetary and financial policies, have contributed to volatility in regional financial markets.

Looking at longer-term trends, rapidly aging Asian populations and socio-cultural changes in the informal, family-based, old-age support mechanisms have created a rising demand for income and support services for the elderly and the poor. Therefore, governments and their populations are rightfully concerned about the long-term sustainability of their social security and fiscal health.

Public pension systems must find ways to cope with these pressures while many already struggle with structural challenges such as early retirement ages, diverging replacement rates under different systems, liberal withdrawal policies, and limited coverage. These factors are further exacerbated by restrictive investment mandates, which significantly curtail the ability of many developing pension systems to seek higher returns through a more diversified investment portfolio.

Most developing Asian economies do not have mature and functioning pension systems, particularly the CLMVT economies. They are also not homogenous and show significant variations in their pension schemes. Some countries have publicly managed defined benefit schemes, some have publicly managed defined contribution schemes, and some have privately managed defined contribution schemes. Despite these differences, these systems share a need for significant improvements in their institutional capacity, governance, and regulation. There are valuable lessons to be learned from each country's pension system design and their experiences in reforming their retirement income systems.

As a country that faced similar challenges as the CLMVT economies in the past, Republic of Korea's pension system reforms provide many examples of how to make necessary changes and expand coverage in a relatively short time period. Republic of Korea faced the same hard choice to reduce benefits and raise the qualifying age that many other public pension systems face. The country served itself well by considering the socioeconomic and political conditions, labor market composition, infrastructure capabilities, and the culture of consensus building to determine the long-term sustainability of their pension system.

Despite these challenges, each pension system can meet its demands by devising a strategic national plan for an integrated, professional, transparent, and independent system for old-age income support. These systems must also aspire to build the institutional investment capacity to diversify their portfolios, including a larger allocation to equities, as a way to raise returns.

Funds throughout the Asia and the Pacific region face limitations and constraints on their investments and subsequent returns due to government regulations, which often reflect efforts to prop up their own financial markets. Emerging market pension systems have historically managed investment assets through a domestic and/or fixed-income strategy. Designed to minimize investment risk, such policies continue to hinder potentially higher returns that will become increasingly necessary to deal with the needs of their constituents.

Investment managers and leaders of regional funds have shown some success in the past by pushing for regulatory reforms while simultaneously working around such regulations and policies to achieve higher investment returns. Reforms, however, require a tolerance for greater risk in the portfolio and thus, political and public confidence in the management of the fund. The main challenge, therefore, is the political will to make the necessary reforms and the building of the trust of their citizens.

In order to build trust, pension systems should focus on establishing transparent and professional administration; sufficient benchmarks; effective management of administrative costs; and prompt, widely-distributed, and easily-understood communication. Once established, this trust will bring about increased buy-in from the decision-makers and support to conduct essential reforms.

In terms of implementing these reforms, CLMVT pension systems can benefit from the lessons and best practices of developed systems. For most developing funds, best practices can offer guidance on how to professionalize staff and achieve efficiencies, how to ensure that pension fund employees have the tools and the expertise to achieve success, how to restrain the costs of asset management in the short and long term, how to ensure that investments are contributing to economic growth and development at home and abroad, and how to navigate new risks and new opportunities in today's financial environment.

However, any discussion of best practices related to the key challenges for managers of developing pension funds must consider the definition of best practices in a particular context and over time. Even with the common issues faced by all pension funds, it is important to realize that their results and experiences will be different due to the diversity of these organizations.

Some pension fund managers may question whether best practices from developed economies can be implemented in the developing world. What works or is easily implemented in one place may be inappropriate to implement and follow in another. Others may also be skeptical of best practices as they may not stand the test of time. As conditions change, today's best practices may become inadequate in the future. This may lead to complacency, which in turn could lead to undesirable outcomes. This issue was underscored during the 2008 global financial crisis, when institutional investors as a whole faced probing questions regarding best practices, which turned out to be flawed.

The pace of global and regional change means that funds must think and act now in order to stay ahead. Complacency is not an option.



WELCOME REMARKS AND KEYNOTE ADDRESS

Strengthening Public Pension Systems in Asia: Focus on CLMVT Economies
Delivered by Yasushi Negishi, Country Director, Thailand Resident Mission, Asian Development Bank

On behalf of the Asian Development Bank (ADB) and the Pacific Pension & Investment Institute (PPI), I would like to welcome this gathering of distinguished guests comprising of public pension experts and policymakers from Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam, and Thailand, more commonly referred to as CLMVT economies.

The theme of today's workshop "Strengthening Public Pension Systems in Asia" with Focus on CLMVT Economies" is very important as the region faces three critical issues—first, the slowdown of growth; second, the lack of financial control which leads to continued financial volatility; and third, the aging population. Surely, these three factors will affect the prosperity of our economies and the state of our public pension systems which provide social security to our people. Thus, today, this ADB—PPI subregional workshop provides the venue to candidly exchange our experiences and views, and form some common understanding about these issues.

We are still in the middle of preparing the Asian Development Outlook Update but the emerging consensus is that the outlook for the region will slow marginally in 2015 before it will rebound in 2016. However, Asia's growth is expected to remain robust in the next 2 years. Moderating growth in the People's Republic of China (PRC) will be offset somewhat by the pickup expected in India and the increased demand from recovery in the United States of America (US). Asia will remain as a key driver of global growth.

Having said that, during the postglobal financial crisis period from 2008-2014, potential growth has declined in 16 out of 21 big economies in Developing Asia and most of the smaller economies. This decline was largely driven by declining productivity and labor force growth which, when taken with weaker external demand and continuing financial volatility, suggests that the slowdown was structural rather than cyclical and could continue into the future.

There are also a number of downside risks to the outlook. First is the expected hike in the US interest rate which, while good in the sense that it is an indication of maturing global recovery, could see rates rise in the region at a time when growth remains soft. Second, a disorderly resolution of the Greek debt crisis could also pull the plug on the Eurozone recovery, which can have global repercussions. Within our borders, a sharper-than-expected moderation in the PRC, coupled with heightened fears about the stability of its financial market, could trigger a sharp capital flow reversal, which would have across-the-board impact on financial markets in the region. Recently, we saw that such possibility is not remote as equity markets around the region were battered in tandem with falls in PRC's financial markets.

After the Asian crisis, there have been large and rapid short-term capital inflows to the region, driven by plenty of global liquidity—arising from high leveraging or quantitative easing policies of advanced economies in search of higher yields. These inflows have underpinned the rapid economic growth in the region. However, recent global and domestic shocks have brought instability to our domestic financial markets. The taper tantrum in May 2013, the sharp decline in global oil prices in 2013/14, and natural disasters all threaten the financial stability in the region.

Recent trends in the global economy have also been uneven and uncertain, with everyone expecting weaker external demand. In the region, adjustments in the conduct of monetary and financial policies in the PRC have also surprised markets. All these fuel renewed financial market volatility and instability.

Generally, financial instability occurs when there are varying information or expectations about the future. Herd behavior, loss aversion, money illusion, and the cognitive, decision-making biases of people contribute to risks of a value promised in the future not realized. There are also risks coming from financial innovations or sudden adjustments in monetary and financial policies. This financial instability can create challenges for individual economies. In particular, it can diminish the value of pension-related assets in the region.

Asia's population is also aging, a condition defined as that in which a third of the population is 50 years old and over. For Asia as a whole, this ratio will approach 28% in the next 10 years. Aging is even more pronounced for most countries in East Asia, Australia, and New Zealand. Rapid population aging in Asia will also continue, with the share of its population over the age of 65 almost tripling from now to the midcentury. This aging population means that the pressure on pension systems to deliver secure, sustainable and adequate retirement income for years to come will increase significantly. In this regard, many Asian countries face the problem of providing a secure income in old age.

National pension systems in Asia are very diverse. Nine countries have publicly managed defined benefit schemes that pay earnings-related pensions. Others have publicly managed defined contribution schemes where benefits depend on the amount of contribution and investment returns. Some have privately managed defined contribution schemes. This diversity makes it hard to compare and evaluate the performance of Asia's national pension systems. Yet there are valuable lessons to be learned from each country's pension system design and their experiences with reforming their retirement income systems.

Allow me to point out some key issues that are critical for Asia's pension system.

First, most developing Asian economies do not have mature and functioning pension systems, and this is particularly true for CLMVT economies. Many Asian pension systems are relatively new and very much in a state of flux. The institutional capacity of these pension systems lag behind those of developed countries. There is generally weak governance and regulation of Asian pension systems.

Second, the region also faces adequacy issues in relation to their pensions systems. Generally, the coverage of formal pension systems in the region is relatively low and skewed towards urban areas.

A quick review of Asia's pension system also shows that there are a number of areas for improvement relative to global standards and practices. First, most pension systems in the

region pay the benefit based on final salary whereas the Organization for Economic Co-operation and Development countries base it on average lifetime earnings. This issue is important as higher paid employees tend to have increasing final salary compared to lower paid employees, which tend to have a flat income profile. Thus, there is an equity issue here. Second, while pensions are often paid in annuities in developed countries, it is common for people to withdraw their contribution or receive a lump-sum payment, exposing pensioners to outlive their retirement savings. Third, adjustment of pension payment for inflation is discretionary and ad-hoc, leaving the very old in poverty.

I think we would hear more about these issues in the discussions.

The ADB and PPI have had a long history of cooperation and mutual support. In the last 4 years, the ADB has partnered with PPI to develop a forum or venue where Asian pension funds and their counterparts in more developed markets and pension experts in the field can interact. These interactions have been quite helpful in developing a scorecard that identifies the needs and challenges facing pension systems in the region. More recently, we have revisited the structure of that partnership and decided to pursue a subregional workshop or dialogue, noting that this is more suitable to the needs of small developing economies. This is the reason we are gathered here today.

To wrap up, we all share the dream of creating a prosperous Asian community that is inclusive and free of poverty. One leg of that dream is the creation of a strong national pension system that: (i) provides adequate and sustainable retirement incomes to our pensioners, (ii) safeguards and grows the entrusted pension funds assigned to them, and (iii) allows the collection of national savings to support economic growth and development. I hope this dream will guide much of the discussions in the coming days to provide food for thought for our work on pension systems back home.

Again, welcome to Thailand, and I wish you all a productive meeting.

SUMMARY OF PRESENTATIONS

Southeast Asia's Demographic Challenges: Changes and Liabilities

Gavin Jones, former Director, J.Y. Pillay Comparative Asia Research Center

With commentary from Ratchada Anantavasilpa, Senior Financial Sector Specialist, World Bank and Yingyong Nilasena, Deputy Secretary General, Government Pension Fund, Thailand

Increasing life expectancy and changes in family structure mean that pension funds face increasing sustainability pressures. As life expectancy increases, pension funds will need to produce income for more years per individual unless countries raise their retirement age. Pension funds also become more vital to the retiree's life because of changes in family structure, the overwhelmingly single marital status among the elderly, and the decline in fertility rates, which mean that many retirees do not have traditional family support. Thus, pensions face increasing pressures as their constituents' sole source of income.

Population growth and the subsequent demands on government budgets are certainly pressing concerns for Asian economies. Each of the five economies represented at the program will see the percentage of their elderly (65+) populations double in the next 15 years (Table 1). However, looking more broadly, socioeconomic changes and the changing pattern of family support are key factors that also are having a dramatic impact on the ability of pension schemes to provide sustainable income for all of its citizens.

Table 1: Trends in % of Elderly Population (Aged 65+)

Country	2000	2010	2020	2030	% increase in number of elderly 2010–2030
Japan	17.2	22.9	28.5	30.4	25
Republic of Korea	7.3	11.1	15.8	23.7	129
People's Republic of China	6.7	8.2	12.1	17.2	120
Indonesia	4.7	4.9	5.9	8.4	109
Thailand	6.6	8.9	13.0	19.5	124
Viet Nam	6.4	6.5	8.0	12.4	125
Cambodia	3.1	3.7	4.9	6.9	143
Lao PDR	3.6	3.7	4.2	5.3	94
Myanmar	4.8	5.0	6.4	8.7	100
Germany	16.2	20.6	22.7	28.0	34
United States of America	12.3	13.0	16.7	20.7	82

Lao PDR = Lao People's Democratic Republic.

Source: UN Population Division, World Population Prospects as Assessed in 2015.

Generally speaking, households in Southeast Asia are moving away from the traditional roles of family support for the elderly. Working age men and women, the traditional caregivers of the elderly, are leaving the home to enter the workforce. Rural areas are being vacated as younger generations pursue economic opportunities in urban areas. At the same time, the elderly are living longer, which creates a significant upward trend in the number of years left in life after reaching retirement age. As an example, in Malaysia, the years of life remaining at age 55 in 1958 was 16.2 years. In 2002, years of life remaining at age 55 was 21 and this continues to rise. As a result, Malaysia raised its retirement age in the public sector to 60. For many Southeast Asian pension systems, however, the retirement ages are not keeping pace with demographic trends and reflect living and health conditions from a half century earlier.

The marital status of the elderly must also be considered. The traditional norm is that older women are widowed; older men are married. This modal status can be attributed to the higher survival rates of older women than men, the tendency for men to marry younger women who then outlive them, and widowed men are encouraged to remarry while elderly women are not. Taken in combination with the fact that people are marrying much later in life, we will see many more people, women especially, entering old age as singles. This will be especially true in Thailand and Myanmar.

While longevity and marital status are certainly factors, the most significant issue in this equation is the decline in fertility. This decline has been occurring in the region for quite some time and at different rates in different countries. For CLMVT, the average number of children dropped from roughly six per female in the 1950s to approximately two today, slightly lower than the replacement rate of 2.1.

Commenting on Jones' presentation, Anantavasilpa reiterated the significance of the fragmentation of the traditional Southeast Asian family on provision of support for the elderly. Families of at least seven or more consisting of grandparents, parents, and children in the same household are no longer the norm because of the economic opportunities in urban areas. Thus, the elderly are left in rural communities facing difficulties with maintaining housing and income for medical and daily expenses. Anantavasilpa and fellow commenter Yingyong Nilasena both stressed the importance of financial education provided by pension systems, which encourages greater savings for much longer retirement. The trends indicate that the elderly in the coming years will have to rely ever more heavily on their own retirement savings.

Nilasena also suggested that pension systems and regulators should also take a different view of risk. Instead of watching the daily fluctuations of stock markets, funds should take long positions with riskier assets.

In response to the question about whether or not demographic projections beyond 20 years will moderate, Jones agreed that there will be a tapering of the sharp increases in elderly populations but only because of a reduction in the size of the cohorts. The proportion of elderly in the CLMVT societies will not drop but will increase more gradually. When asked to rank the CLMVT countries according to the pace of their demographic transition, Jones placed Thailand first as the most aged, followed by Viet Nam, Myanmar, Cambodia, and Lao People's Democratic Republic.

Seong Sook Kim, Head, National Pension Research Institute, National Pension Service (NPS), Republic of Korea, shared that NPS is required by law to help prepare their population for old age through educational programs.

For more effective policy planning, Mukul Asher of the Lee Kuan Yew School of Public Policy, National University of Singapore, suggested that in addition to the national projections, which can have a significant margin of error, countries should also maintain a robust database of regional projections.

Lessons and Best Practices from Europe, Implications for Asia

Andrew Reilly, Pension Analyst, Organization for Economic Co-operation and Development (OECD)

With commentary from Hiroyuki Aoki, Senior Financial Sector Specialist, Asian Development Bank

The pension systems in Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam, and Thailand (CLMVT) face sustainability challenges because of four factors: (1) younger retirement ages as compared to OECD countries, (2) lower contribution levels, (3) lower coverage levels, and (4) diverging replacement rates under different pension systems. Yet CLMVT pension systems are advantaged in their ability to predict demographic changes and document best practices from OECD funds. Their main challenge, therefore, is to develop trust from their populations.

The challenges of long-term sustainability for CLMVT pension systems are based on factors such as retirement age, contribution levels, coverage levels, and replacement rates.

The retirement ages for CLMVT countries are lower across the board than that of the average retirement ages in OECD countries. In the long term, 2040-2050, OECD countries will raise their retirement ages for both men and women to 65.5. The reason for parity between men and women is because there is not a compelling argument against parity.

The current contribution levels are also significantly lower in CLMVT countries, with most contributing 5%-6% of their income compared to 20% in OECD countries. One exception is Viet Nam, with a contribution level of 22%. Even with higher retirement ages and higher contribution rates, OECD countries are still experiencing inadequate funding levels.

Coverage levels in Southeast Asia are also low and quite varied, ranging from 1.4%-22.5%, compared to the average in the developed world of approximately 90%¹.

Of the two priorities for Southeast Asian systems, increasing sustainability is more easily achievable by increasing retirement ages and contribution levels. Though not preferable, this reduces future entitlements. Countries that have reduced their future benefits have shaken the confidence of their constituents.

Increasing coverage is a more challenging endeavor. Three typical approaches are: (1) requiring participation from more individuals and lowering the threshold for businesses; (2) offering incentives such as flexible contributions and flexible access to benefits — although a certain portion of contributions to be ring-fenced as pension income, tax incentives, and matching contributions up to a certain amount for a limited time; and (3) behavioral change achieved through education and transparency.

¹ It should be noted that the data used to determine the coverage levels in Asia is several years older and drawn from outside sources, not from the funds directly.

All public workers should be covered by the same system rather than having separate systems for the military, teachers, and other public sector employees. The trend in OECD systems is to merge everyone into one.

Hiroiyuki Aoki commented on the advantages held by developing funds. He said that developing funds benefit from predictable demographic changes and documented the best practices and lessons learned from funds in developed countries. It would seem that developing country funds have answers to their challenges but implementation is the key issue. A major hurdle facing public pension systems is the lack of confidence and trust by their populations.

Aoki outlined four important elements that public pensions systems must have in order to build trust: (1) the ability to adapt to future demographic changes, (2) an efficient operation that can collect the premiums and dispense benefits, (3) efficient asset management with competent actuaries and asset management companies to support the fund, And (4) reliable and secure information technology and record keeping.

Pension systems represent a commitment between governments and their populations. Thus, confidence and trust are imperative for long-term sustainability.

During the subsequent question and answer session, delegates discussed the need for national identification systems that are coordinated fully with public pension funds to ensure that all citizens are covered.

Reilly further pointed out that there exists “a lump of labor fallacy” in OECD countries. It has been demonstrated that if the employment rate of older workers increases, there is a corresponding increase in the employment rate for younger workers.

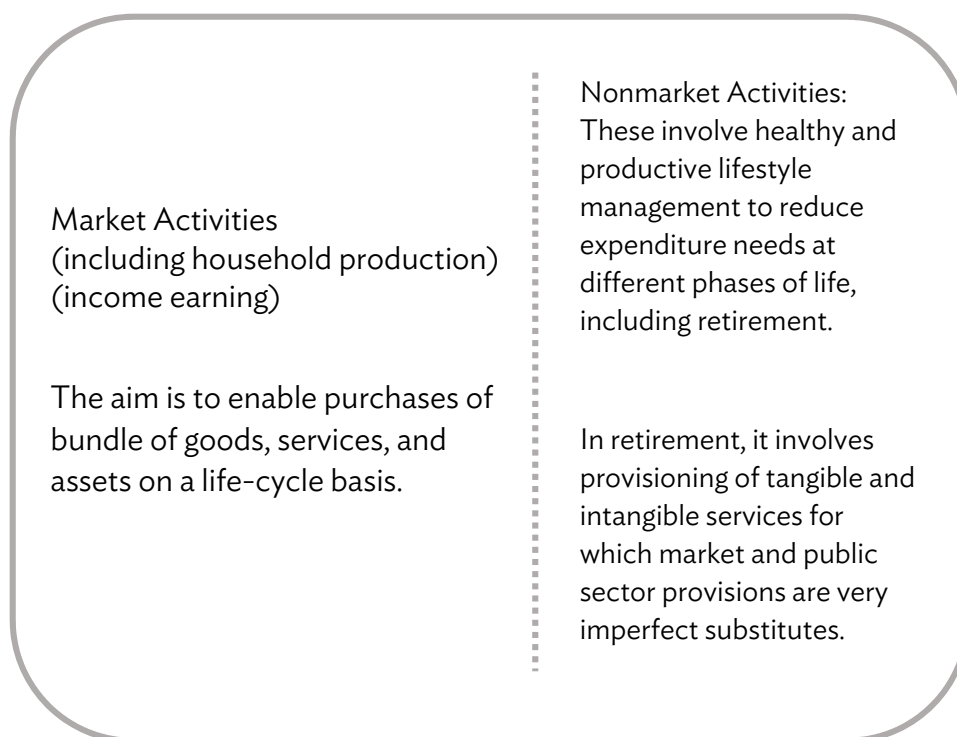
Pension System Design: A Broad Approach to Best Practices

Mukul Asher, Lee Kuan Yew School of Public Policy, National University of Singapore
 With commentary from Seong Sook Kim, Head, National Pension Research Institute, National Pension Service (NPS), Republic of Korea

One way for pension systems in Southeast and East Asia to navigate sustainability challenges is to shift the focus from monetary gains to organizational professionalism. As funds manage administrative costs effectively and communicate promptly, they build trust with which comes from increased buy-in and the ability to conduct essential reforms.

Asher began his remarks by suggesting that there is a need in the region for rethinking the approach to social protection generally and pension systems particularly. He recommended that instead of focusing on money, which is simply a mechanism for making purchases, pension systems ought to focus on providing a bundle of services over a lifecycle. These services include healthy and productive lifestyle management tools to reduce expenditure needs at different phases of life, including retirement (Figure 1).

Figure 1: Components of Household Welfare over a Lifecycle



There is an urgent need to shift the perception of public pension organizations and other stakeholders away from welfare orientation to professionalism in pension design and performance of core functions. Pension systems should think with their heads as well as their hearts.

Priority should be placed on improving the organizational performance and delivering the core functions of any pension scheme well, and managing the administrative costs. These core functions, which are typical among all pension schemes, include:

- reliable collection of contributions/taxes and other receipts;
- payment of benefits in a correct manner;
- efficient financial management and productive investment of assets;
- maintenance of an effective communication network among stakeholders; and
- production of financial statements and reports which are timely and relevant for advancing good quality public policy debates on the pension arrangements.

Organizational effectiveness is an efficient way to improve household welfare. This is an area that has not received the sufficient attention of researchers, policymakers and the pension bureaucracy.

Implicit in these functions is that the pension systems need to be governed in a manner that sustains credibility and fosters trust in those responsible for managing the organization. Asher reiterated the point made earlier by Aoki that lack of trust hinders essential reforms that require public consent.

A noteworthy concern is the large informal employment sectors in many developing countries. In some cases, the informal sector is 80% of the labor market. However, not all in the informal sector have necessarily low income. For example, many shopkeepers, small business owners, and professionals have good incomes. Therefore, mapping of the labor market in relevant disaggregated manner is essential for addressing the pension needs of this sector.

Obvious but nonetheless noteworthy is the necessity to minimize exclusion errors that occur when those who qualify for benefits do not receive them, and inclusion errors that occur when those who do not qualify receive benefits.

Turning his attention to investing, Asher warned that premature global diversification may pose significant risks to the credibility of pension promises and to fiscal sustainability. The capacity to manage global portfolios by public pension organizations, and the fiscal capacity to bear contingent liabilities that arise from such investment strategies need to be better incorporated into the overall investment policy assessments.

Any reform or transition must include a clear communication strategy that outlines the changes and explicitly addresses any issues.

Asher also emphasized the need to focus more on building reliable and timely databases on pension systems in Asia, and making such data more widely and easily available to facilitate pension research and policy debates. He added that the lack of requisite investment in pension related data gathering, analysis, use and dissemination has hampered better quality public policy debates on pension policies in Asia.

The commentaries on Asher's remarks included observations about trust from Kim. As a result of two sets of reforms over the last 20 years and a lack of understanding, Koreans historically did not trust NPS and were reluctant to pay into the system. In 2010, there was a change in perception due to an expansion of the system that started offering benefits to

more citizens. Journalists, many approaching retirement, wrote favorable articles about preparedness for old age.

Asher responded to a question about the types of assets that are appropriate for investment by under-developed systems by suggesting that any assets should be supported by financial and capital market developments—initially, by deepening the market for government bonds. A reasonable course of action is to set up a separate account that is dedicated to meeting the liabilities of the fund as long as it is transparent and used for national development purposes, such as government securities.

Aoki reminded the policy makers in the delegation that at the end of the day, they bear the responsibility for setting strategies and despite any planning and advice from development groups, each should be realistic about their own country's abilities.

Public Pension Systems in Emerging Asia: Challenges to fairness and sustainability, and reform efforts

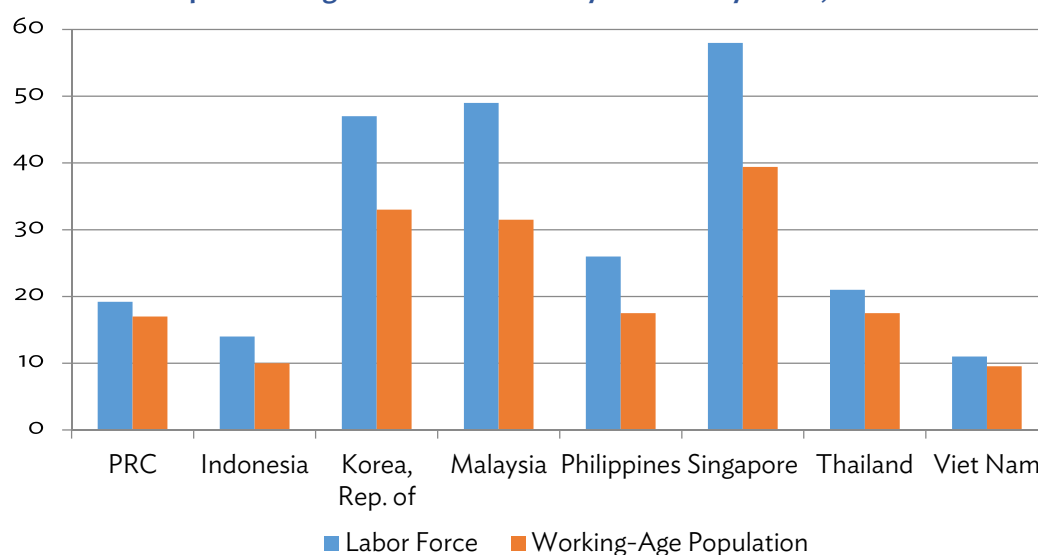
Donghyun Park, Principal Economist, Asian Development Bank

Compared to their Western counterparts, Asian pension systems have failed to provide full coverage to their populations. Yet with shifting demographics, Asia's pension funds can no longer put off reform. Thus Park recommends eight general reforms to meet the needs of the aging population, even if they incur opportunity costs at the expense of the younger generation.

Old-age income support will be one of developing Asia's biggest social and economic challenges in the 21st century. The current state of Asian pension systems signals an urgent need for reform throughout the region. He underscored a number of points about the demographic shifts across Asia made in previous presentations.

Park noted that the biggest failure of Asian pension systems is to provide full coverage of their populations. The share of the labor force, which is covered by Mekong region pension systems, ranges from 13.2% to 58%, and the coverage rate for the working-age population ranges from 10.8% to 40%. By comparison, advanced economies' pension systems typically cover around 90% of the labor force and between 60% and 75% of the working-age population (Figure 2). Even in high-income Asian countries such as the Republic of Korea, coverage falls well short of developed-country levels. Asia lacks the mature, well-functioning pension systems of Organization for Economic Co-operation and Development countries.

Figure 2: Share of Labor Force Covered by Pension Systems and Share of Population Aged 15-64 Covered by Pension Systems, 2007



PRC = People's Republic of China.

Source: Organization for Economic Co-operation and Development and World Bank. 2008. Pensions at a Glance: Asia/Pacific Edition. Organization for Economic Co-operation and Development, Paris; ADB staff estimates for Malaysia and Singapore.

Another shortcoming of the developing Asian systems is the ratio of retirement income to preretirement income. This replacement rate is a widely used measure of the adequacy of pension benefit as a source of postretirement income. Pension experts generally recommend a replacement rate of between 66% and 75%, adjusted for both longevity and inflation risks.

Given the diversity of systems in Asia, both in terms of their overall socioeconomic development and the development of their pension systems, it is clear that policy options across the region will vary significantly and that different countries will have different priorities in pension reform. However, there are a number of common themes for pension reform throughout the region. Eight recommended reforms have been arranged in terms of priority.

Park's presentation mapped out eight steps to push forward reforms. First is to draw up a strategic national blueprint with an integrated, coherent, and viable system for old-age income support that replaces the current patchwork of fragmented, piecemeal provisions. The blueprint should take into account country-specific factors such as the current state of the support systems and their main problems—society's preferences about the appropriate division of risk between individual, employer and state, overall income and development level, the political economy environment, and the current and projected age structure of the population.

Second is to build a national consensus on old-age income support through constant dialogue. Across Asia, there is no systematic recognition of the challenge of old-age income support. Furthermore, there is very little appreciation of the huge social and financial dimensions of the challenge, and no systematic strategy to address it. The government, backed up by top-level political leadership, should take the lead in moving the issue of old-age income support from the background to the front and center of public consciousness and public debate. It should also inform the debate by communicating relevant knowledge and information to the general public. For example, the costs of failing to undertake unpopular but necessary parametric reforms such as raising the retirement age should be clearly spelled out in an accessible way. To cite another example, to foster greater participation in pension systems, the government should educate the general public about the risks of myopia and the benefits of saving for retirement. The national consensus would contribute to the establishment of the national blueprint and efficient enforcement of retirement policies under the blueprint.

Third is to set up an independent national social security council that can be both an advisory and research body, and should be independent of government ministries, employer associations, labor unions and other stakeholders.

The National Social Security Council (NSSC) can play a key role in building and maintaining a strong national consensus behind a sensible and viable national blueprint. NSSC can be both an advisory and research body, and should be independent of government ministries, employer associations, labor unions, and other stakeholders. A consultative process will reflect, balance, and reconcile stakeholder interests. Related to this, NSSC would improve coordination between different ministries that have some responsibility for pensions and promote better private-public partnership. Such a body would take a long-term view which more closely aligns pension commitments with available resources. It could also push through consistent and harmonized reform efforts

on a permanent basis through advocacy, dialogue, and communication; and protect the pension reform process from undue political interference motivated by short-term political gain. There is also a need for an independent board and pension regulator. In terms of personnel, the NSSC and the two bodies require a balanced set of skills and experience, along with a proven track record of serving the public interest. The NSSC should also monitor the adequacy of the regulatory framework, the efficiency of the supervision, and the quality of the professional expertise supporting the operation of the systems.

Fourth is to improve transparency, accountability, and professionalism. Pensions are ultimately promises to provide old-age income in the distant future in exchange for contributions today. Therefore, beneficiaries are understandably less than fully confident that the promises will be kept. Public trust and confidence is of utmost importance in building up pension systems with widespread participation and compliance. It follows that pension authorities such as the aforementioned NSSC should publicize the pension system to the public and educate the public about its key features. To inspire trust and confidence, the pension system should be managed with a high degree of transparency and accountability. Information about individual contribution records and projected benefit amounts, and the management of pension assets should be readily available in a simple accessible format. An important additional means of inspiring trust and confidence is to enhance professionalism, including more integral and strategic use of information technology and management information systems in the performance of core functions such as collection of payments and payment of benefits.

Fifth is to promote equity and sustainability. It is clear from the country chapters that there is a lot of disparity between the various segments of the population in terms of coverage, level of net benefits, and retirement age. In particular, civil service and military pensions tend to pay more generous benefits than those received by the rest of the population. In some cases, privileged pensions and health care for the two groups pose a major risk to fiscal sustainability. Gradual, rational reduction of such disparities will increase the general public's sense of ownership in pension systems and thus strengthen popular support for pension reforms. Many of developing Asia's pension systems, especially those based heavily on defined benefit schemes, are unsustainable in the long run. Without significant reform, the financial burden on future workers will reach levels likely to generate a great deal of resistance. Therefore, achieving an acceptable degree of intergenerational equity benefits not only future workers but future retirees as well. A high-priority reform area in all countries is to raise the retirement age, which has become obsolete in light of fast-rising longevity. In some cases, the contribution rate will have to be raised substantially.

Sixth is to achieve adequate retirement income. In many countries, large segments of the population are excluded from the pension system. This means that expanding coverage is a first step for securing adequate retirement income for the widest possible segment of the population. The People's Republic of China's effort to set up a rural pension system is a good example. However, it is costly for the main pension system to cover everyone, so supplementary arrangements such as social pensions for the elderly poor are still required. At a broader level, ensuring an adequate retirement income dictates that individuals assume greater responsibility for their own retirement needs. In practice, this is likely to involve supplementing a national defined benefit scheme for basic needs with a defined contribution scheme based on individual earnings. Some specific additional measures for boosting adequacy include raising contribution rates, limiting early withdrawals for non-retirement uses, converting lump sum into annuities, and taking innovative approaches to

designing payout during retirement, improving the operating environment for providers of private pensions, and enhancing portability.

Seventh is to mitigate old-age poverty. Rapid population aging, in combination with inadequate old-age income support systems, is heightening the risk of widespread old-age poverty. The old are especially vulnerable to long-term poverty since their ability to fully participate in the labor market remains limited. An important first step toward tackling old-age poverty is to define the problem. In this connection, the national or local income level required for a minimum standard of living should be clearly defined but its definition should be periodically reviewed. Social pensions financed out of the government budget should aim to provide the elderly poor with the minimum income. Ideally, the benefits must be means-tested and target only those who need them. However, in some cases, it may be more practical to set up universal basic pension schemes that guarantee a minimum standard of living for all elderly and rely on the tax system to improve equity. Regardless of the exact modality of the transfer, fiscal sustainability dictates that the resources be transferred more efficiently and effectively. The protection of dependent spouses is another priority area in fighting old-age poverty.

Eighth is to improve returns on pension assets if there is adequate institutional capacity to invest in a more diversified investment portfolio, including greater investment in equities, to raise returns. In the absence of such capacity, simple measures such as reducing administrative costs can increase the level of pension benefits, which is the most relevant measure of returns.

East Asian countries have traditionally prioritized economic growth over adequate, widely accessible and robust social protection systems, including pension systems. However, the sheer speed and scale of Asia's demographic changes, and the serious shortcomings of current pension systems, mean that putting off pension reform is no longer an option. For Asia's growing population of elderly, pension systems could deliver a number of major benefits including lifetime consumption smoothing, insurance against longevity risk, and poverty relief.

Building up a good pension system entails large opportunity costs, including less resources available for health, education, infrastructure, and more generally, meeting the needs of the nonelderly population.

Spotlight: Learning from Republic of Korea's National Pension System Reform

Seong Sook Kim, Head, National Pension Research Institute, National Pension Service (NPS), Republic of Korea

With commentary from Mukul Asher and Vanessa Steinmayer, Population Affairs Officer, United Nations, Economic and Social Commission for Asia and the Pacific

The Republic of Korea's ability to reform its national pension system twice in 20 years and attain universal coverage in 10 years offers lessons for developing pension funds. As part of its reforms, Korea extended its pension coverage to small workplaces and rural and urban residents working in the informal sector. On the other hand, Korea had to reduce the benefits and raise the qualifying age of the national pension for its better long-term solvency. Based on Korea's example, developing countries facing pension fund reforms should consider its socioeconomic and political conditions, labor market compositions, infrastructure capabilities, and the culture of consensus building to determine long-term sustainability.

Seong Sook Kim began her discussion of the challenges and successes of NPS' reforms by highlighting the compressed timeframe that the system, in unison with Korea's economy, implemented changes. The system underwent two major reforms in 20 years and attained universal coverage in 10 years.

Among the rapid succession of changes, the system extended its coverage to include workplaces with five employees (down from ten just 4 years earlier) and included residents aged 18-59 in rural areas, most of whom were in the informal sector.

In 1997, a reform committee was established by the government, and in 1998 the government amended the law to enable the scheme to become more solvent in the long term. As part of that mandate, coverage was extended to informal sector workers in urban areas, bringing the scheme to universal coverage of the labor force aged 18-59. However, the benefits were reduced from 70% of income to 60% and the qualifying age was raised from 60 to 65.

While previous adjustments were considered successful, a major set of reforms was introduced in 2007 with the purpose of making the scheme more financially sustainable. At the same time, the Basic Old Age Pension Scheme, which provided benefits for those in the lower 70% of the economic ranking, was introduced. The benefit for the basic old-age pension was doubled in 2014 and the name of the system was changed to the basic pension.

The national pension scheme covers all workers except civil servants, military personnel, and private school teachers, who all have their own respective schemes. The main source of financing is contributions. The contribution rate of the national pension was stipulated by law in 1986 to be 9% but there was an additional clause to raise it from 3% to 9% in 10 years following the introduction of the scheme. By virtue of a relatively high contribution rate in its early stage, the current accumulated fund of the national pension is nearly \$500 billion. It was rightly believed that a massive fund would exert a positive influence on the Korean economy.

Korea's system was compelled to reform rapidly because of rapid aging, which raised issues including serious old-age poverty, long term sustainability, and a wide coverage gap of the public pension. These factors were coupled with a global exchange of information about the priorities of pension reforms and a prevailing preference for multipillar systems worldwide due to information and communication technology development.

As for lessons to be learned from the NPS, Kim stressed the importance of realistic expectations and the use of sound judgment when considering current and anticipated social, economic, and political conditions. She also suggested that funds should consider the following factors: the speed at which each country is aging, the composition of formal and informal sectors in the labor markets, each country's infrastructure for income assessment, the challenges associated with tax and contribution collection, and the culture of consensus building in each country.

Further, she recommended that funds should consider what kind of scheme can most effectively address old-age poverty and if those schemes are sustainable over the long term in a rapidly aging society. Each country should build a multipillar system while carefully considering if a large, single system fund is desirable.

Recently, the country has experienced controversies over increasing the earnings replacement rate, from 40% to 50%, along with the reform issue of national pension fund governance and improving the rate of return from investment. Additionally, the integration and restructuring of all public pension schemes has been mentioned as a long-term reform issue.

When asked for comments, Asher began by noting that Korea is an Organization for Economic Co-operation and Development (OECD) country with high income and solid competence in its economic management, record keeping, and use of technology. However, the country is aging rapidly and its prospects for economic growth are dim. Nonetheless, Korea is committed to constructing an adequate, sustainable, and universal system. Of particular concern are the challenges created by the system's massive wealth and its investment options, especially in a low-income and volatile market environment.

Vanessa Steinmayer of Population Affairs Officer, United Nations, Economic and Social Commission for Asia and the Pacific also drew the following lessons from the Korea experience: First, aging comes faster than expected and requires a comprehensive plan to address all the needs of the elderly. Even for an innovative, OECD country like Korea, its system was not prepared to absorb the surge of elderly. Second, coverage is a key factor and any lack of coverage erodes trust. Third, countries should work towards formalizing many of the traditionally informal jobs. Fourth, women should be a part of the plan. Pensions often and inadvertently promote gender inequality because they are workplace-based where salaries and participation are much lower for women. Furthermore, women live longer than men in retirement so lower contributions during working years plus a lower retirement age create a disadvantageous situation. Finally, regular actuarial projections are essential.

In line with his earlier remarks, Asher noted that Korea is considering how to reduce the expenditures of the elderly by providing services such as health care. Singapore, for example, set up in August 2015 a \$3 billion fund to provide centers for old-age amenities and services in decentralized locations.

It was noted that Korea has an old-age poverty rate that exceeds 45%, far and away the highest of any OECD country. This indicates that the Basic Old Age Pension Scheme is not effectively providing benefits. Also, there were questions raised about the claim of universal coverage when one considers that as much as 40% of the workforce is employed by small businesses of less than five employees currently not covered by the scheme.

PEER-TO-PEER DISCUSSIONS

All participants

With the conclusion of formal presentations, the delegation began discussing questions that were submitted prior to the program. The highlights are summarized below.

Cambodia currently has a government-funded Defined Benefit (DB) plan for civil servants but there is political pressure to convert to a Defined Contribution (DC) plan.

Q: Are DC plans a solution for sustainable and equitable pension systems?

A: You get out of a DC plan what you put into it as calculated on an annuity basis. By definition, it would be sustainable if it is set up properly. There are no contingent liabilities and actuarial projections that are accurate. But a more recommended structure would be offering a mixture or hybrid of both DB and DC, citing Chile as an example.

Kazakhstan, an oil rich, middle-income country, is a cautionary tale of a country that converted its civil servants' pension plan from DB to DC. However, the national stock market listed only four companies, all of which were partially or fully government-owned. Their attempted investments only yielded negative returns. After 15 years of disappointing results, Kazakhstan nationalized its pension plan and converted back to a DB scheme. Having no prior experience managing a DC system proved to be a tremendous setback in this case.

A book by Noriyuki Takayama titled, "In Reforming Pensions for Military and Civil Servants", was also cited as a resource for this question.

Q: Are universal pension schemes achievable for developing countries?

A: Poor countries can have successful universal pension systems. Well-designed universal systems offer advantages such as administrative simplicity and broad support from politicians because there are no exclusions of any portion of population. Targeted systems are also very complicated to administer. However, the decision to expand coverage should be made with the head and not the heart. For politicians and bureaucrats, making full commitments upfront is often risky without adequate projections of costs. Over-promising and under-delivering erodes trust in the system and the government. Factors such as entry age and benefit levels should be affordable with conservative costs. Over time, those factors can be adjusted to be more favorable to the constituents as the system develops.

Q: How can the pension system gain public confidence and trust?

A: For the systems represented at this program, which are in the very early stages of development, transparency, especially in regards to management of assets, is essential to

building trust. The format for any educational materials should be simple to understand and include projections of benefits that will be paid to individuals. Professionalism in the form of good governance and the use of information technology for contribution collection and record keeping inspires confidence among regulators, politicians and other key stakeholders.

Viet Nam's social security system is working with the World Bank to modernize their information technology (IT) systems. Although they have a road map to follow, the application will take some time.

Q: What are the best first steps to consider for an IT modernization project?

A: A robust IT system contributes to transparency and good governance. Systems and safeguards built into an IT system can help prevent poor record keeping and corruption.

The World Bank should offer an action plan in addition to the road map.

It is important not to overemphasize what IT can do alone. Institutional governance strengthening must be conducted in conjunction with the upgrading of IT systems.

The importance of well-developed and secure IT systems is illustrated by the example of the Government Service Insurance System in the Philippines. The GSIS record keeping was compromised, perhaps intentionally. As a result, the organization was unable to pay out pensioner's benefits. In order to receive any benefit, pensioners were asked to provide documentation that they had paid into the system.

Lao PDR has passed a new pension law that allows for voluntary personal contributions into the pension fund with no government or employer contributions.

Q: If such a law were implemented, would a voluntary personal contribution system be sustainable?

A: Many of the issues will remain the same albeit with a much smaller pool of assets. Put simply, if the system is set up in such a way that it is not paying out more than it is taking in, then it can be sustainable.

For any pension system to work, the assets of that fund have to be balanced over the mid-to long-term. Many pension systems, like Korea, conduct studies regularly to determine if liabilities are exceeding assets. In pension economics, there is a long lag period. So, if it is determined that liabilities will exceed assets in 10 years, it is important to take steps immediately to correct that problem. Managing that equation is the key factor in determining sustainability.

Q: What is the best way to manage the administration of benefits to insured workers who have contributed to and moved between two different pension systems – public and private?

A: Korea has introduced a linkage system based on a minimum number of years necessary to qualify for the national pension system. Someone who works in the private sector for 5 years and then moves to a civil service job would then qualify for a pension based on 20 years of contributions.

There are many ways to address the portability issue. One way is to allow workers in the private sector to transfer their pension contributions into the public system under a conversion formula. Often, that formula is not a one-for-one transfer. For example, a worker who has been in the private sector for 10 years can transfer contributions equal to 6 or 7 years into the public system.

Q: What should governments do to smoothly transition from a government-only contribution system to one that requires some percentage of contributions from the workers?

That is a difficult question to answer in the abstract. Demography plays a key role. The amount of worker contributions will have to be based on formal and thorough actuarial study.

However, there should be some negotiations with civil servants' groups to determine phase-in periods and any opt-out policies.

CLOSING REMARKS

James Villafuerte, Economist, Asian Development Bank

I would like to take this opportunity to thank Country Director Yasushi Negishi and the Thailand Resident Mission for their hospitality to host this event.

I would also like to commend everyone for a very fruitful and candid discussion on important issues on pension systems and reforms in the region.

I have learned many things during the one-and-a-half days of discussions, but allow me to highlight 10 key lessons:

First, **the needs are varied**. It is clear that the needs for pension and income support are varied across the region. The needs of society in general are different from the needs of the pensioners or the needs of the system or pension schemes. Within the pensioners, the needs of men and women are also different and we have to take all these varied needs into consideration when we talk about pension systems and reforms.

Second, **time horizon is long**. The time horizon for pension system and reform is very long. In this regard, one of the most important aspects of the pension system is to strengthen the institutional capability to manage the fund in the long run. A key part of this capability rests on building solid trust and commitment that the system can and will deliver the services to their members.

Third, **it is all about the system**. Related to this, the key challenge is how to make the system work. Pension funds are multisystem and can be broken down into many layers, i.e., local, national, and regional. There are also market and non-market, and formal and non-formal components of the system. Because of this multisystem perspective, it is easy for the public pension system to be fragmented and the role of governance to ensure that the system will work is important.

Fourth, **it is not about welfare, it is about professionalism**. All through the discussion, we heard that while the objective of developing a pension system is to improve the welfare of the elderly population, what is important at the end of the day is that the public pension system is run efficiently as a professional organization that can deliver the most effective results.

Fifth, **information and projections are important**. It is important that adequate information on pension systems is available and updated for everyone. This will lead to right decisions about pension reform and will help improve transparency. We also need to generate useful projections to track inflow and outflows of resources and assess expenses, expenditures, and liabilities.

Sixth, **social security is anchored on growth and productive livelihood.** Growth that generates productive and decent employment ultimately determines the strength of our pension system and income support to the elderly. Where jobs are scarce or largely concentrated in the informal sector, there is less growth, and the pension system will naturally be weaker.

Seventh, **the rate of return and risk diversification are important.** One important aspect of pension systems is to conduct a solid assessment of the types of investment or asset classes to ensure that we get the best rate of return with manageable risks.

Eighth, **we need to build reform consensus and we need a well-conceived plan.** The experience of the Republic of Korea shows that building a reform consensus is important for reform efforts to succeed. We also need to have a well-thought-out reform plan to be successful.

Ninth, **we need to care for “moms”.** We have heard that women are more vulnerable than men as they live longer, enter retirement age as a single “mom”, and have poorer income status. In contrast, men die earlier, often remarry younger spouses, and have higher income status. So the gender bias is also manifested in the public pension system.

Tenth, **time is running out.** Projections on aging and on the sustainability of pension systems are region-wide issues. Most of the projections show that the region is now aging faster and most pension systems would hit a breaking point sooner-than-expected. In this regard, pension systems reform is a key development issue for the region.

With these thoughts, I formally close the workshop.

APPENDIXES

Appendix 1

The ADB—PPI Partnership

The Asian Development Bank (ADB) and the Pacific Pension & Investment Institute (PPI) share a common interest in strengthening the capacity of pension fund managers in emerging and frontier markets in the Asia and the Pacific region. The ADB's Financial Sector Operational Plan and the financial sector agenda of *Strategy 2020* identifies the strengthening of pension systems in Asia as a key area.

PPI is a United States of America-based, nonprofit education organization with a global network of members comprised of pension fund managers, consultants, asset managers, and subject matter experts with deep understanding of pension systems, corporate governance, and investment strategy.

PPI and the ADB have entered into a multi-year partnership to jointly develop a series of regional programs designed to (A) understand the needs of specific Asian countries; (B) support the development of sustainable retirement systems through knowledge sharing of best practices; (C) strengthen the capacity of pension fund managers through continued education and networking opportunities with regional and global experts; and (D) help pension fund managers diversify their investment portfolios and deepen inter-regional linkages in Asia.

This latest partnership is part of a longer-term relationship between the ADB and PPI. Through the ADB's technical assistance grants, PPI previously conducted programs and surveys with follow-up reports in 2011 and 2013. From those previous programs, the ADB and PPI learned that while there are some issues common to all developing Asian pension systems, there are also many differences that are specific to the level of development, organizational capacity, and investment mandates of each system. As a result, the ADB and PPI developed programs on a subregional level with a focus on sharing of best practices, lessons learned, and each participating funds' challenges. Further, the programs seek provide a forum for discussion around the aging population issue that many funds are facing.



Appendix 2

The List of Participants by Country/Organization

Cambodia

Sambo Pheakdey
Head
Ministry of Economy and Finance

Sovathana Hor
Deputy Director
Ministry of Economy and Finance

Vichet Hok
Deputy Director
National Social Security Fund for Civil Servants

Lao PDR
Philavieng Phengphavanh
Chief of Division
National Social Security Fund Office

Vanxay Souvannamethy
Chief of Division
Ministry of Labor and Social Welfare

Pathoumthong Leungkhamsing
Deputy Division
Ministry of Labor and Social Welfare

Myanmar

Khin Maung Win
Acting Director General
Ministry of Finance

Moe Kyi
Assistant Director
Ministry of Finance

War War Ei San
Assistant Director
Ministry of Finance

Viet Nam

Giang Le
Staff
Viet Nam Social Security

Dinh Thi Thu Hien
Head
Viet Nam Social Security

Nguyen Thanh Huong
Expert
Viet Nam Social Security

Thailand

Duangmanee Laovakul
Assistant Professor
Thammasat University

Man Juttijudata
Senior Director
Government Pension Fund

Yingyong Nilasena
Deputy Secretary General
Government Pension Fund

Nachcha Protpakorn
Deputy Secretary General
Government Pension Fund

Worawet Suwanrada
Dean
Chulalongkorn University

Ornsiri Rungruxsirivorn
Senior Economist
Ministry of Finance

Rangsima Preechard
Adviser to the Secretary General
Social Security Office

Asian Development Bank

Luxmon Attapich
Senior Economics Officer, Thailand Resident
Mission

James Villafuerte
Economist

Aleli Rosario
Senior Economics Officer

Yasushi Negishi
Country Director, Thailand Resident Mission

Donghyun Park
Principal Economist

Hiroyuki Aoki
Senior Financial Sector Analyst

HelpAge International
Eduardo Klien
Regional Director

World Bank
Ratchada Anantavasilpa
Senior Financial Sector Specialist

UNESCAP
Vanessa Steinmayer
Population Affairs Officer

Pacific Pension & Investment Institute
Kris Greenville
Vice President

Australian National University
Gavin Jones
Emeritus Professor

Organization for Economic Co-operation and Development
Andrew Reilly
Pension Analyst

National University of Singapore
Mukul Asher
Professor

National Pension Service, Korea
Seong Sook Kim
Head

Appendix 3

Program



Strengthening Public Pension System
in Asia Focus: Cambodia, Myanmar,
Lao PDR, Thailand and Viet Nam
3-4 September 2015, Thailand
Resident Mission, Bangkok

PROGRAM

3 SEPTEMBER 2015, THURSDAY

2:00 p.m.	Registration
2:30 p.m.	Master of Ceremony Kris Greenville Vice-President, Pacific Pension Institute (PPI)
2:35 p.m.	Welcome Remarks & Keynote Address Yasushi NEGISHI Thailand Country Director, ADB
2:50 p.m.	Southeast Asia's Demographic Challenges: Changes and Liabilities <i>Speaker:</i> Gavin JONES Former Director of J.Y. Pillay Comparative Asia Research Centre of the National University of Singapore <i>Discussants:</i> Ratchada ANANTAVRASILPA World Bank, Thailand Yingyong NILASENA Government Pension Fund, Thailand <i>Open discussion</i>



- 3:40 p.m. Break
- 3:55 p.m. **Lessons and Best Practices from Europe, Implications for Asia**
Speaker: Andrew **REILLY**, Statistician
 Organisation for Economic Cooperation and Development
- Discussant:* Hiroyuki **AOKI**, ADB
- Open discussion*
- 4:45 p.m.—5:00 p.m. Photo Session
- 6:00 p.m. Reception and Dinner

4 SEPTEMBER 2015, FRIDAY

- 8:30 a.m. **Pension Scheme Design: A Broad Approach to Best Practices**
Speaker: Mukul **ASHER**
 Professor, Lee Kuan Yew School of Public Policy, National University of Singapore
- Discussants:*
 Hor **SOVATHANA**
 Ministry of Economy and Finance, Cambodia
 Vanxay **SOUVANNAMETHY**
 The National Social Security Fund Office, Lao PDR
- 9:30 a.m. **Fairness and Sustainability in Asian Pension Systems**
Speaker: Donghyun **PARK**, Principal Economist, ADB
- Discussants:*
 Dinh Thi Thu **HIEN**
 Department of Social Insurance Policies Implementation, Viet Nam
 Khin Maung **WIN**
 Pension Department, Ministry of Finance, Myanmar
- 10:30 a.m. Break



10:45 a.m.	<p>Spotlight: Learning from Korea's National Pension System Reform <i>Speaker:</i> Seong Sook KIM, Head, National Pension Research Institute, National Pension Service, Republic of Korea</p> <p><i>Discussants:</i></p> <p>Mukul ASHER Lee Kuan Yew School of Public Policy, National University of Singapore</p> <p>Vanessa STEINMAYER United Nations, Economic and Social Commission for Asia and the Pacific</p>
11:45 p.m.	Lunch
1:15 p.m.	<p>Peer-to-peer Consultations on various issues Experts who will participate in the discussion:</p> <p>Gavin JONES, former Director, NUS Mukul ASHER, Professor, LKYS of Public Policy Seong Sook KIM, Head, NPS Donghyun PARK, Principal Economist, ADB Hiroyuki AOKI, Senior Financial Sector Specialist, ADB Andrew REILLY, Statistician, OECD</p>
3:00 p.m.	Break
3:15 p.m.	Peer-to-peer Consultations continued...
4:30 p.m.	<p>Wrap Up James VILLAFUERTE, Economist, ADB</p>
5:00 p.m.	End of meeting





Strengthening Public Pension Systems in Asia

Proceedings of the 2015 ADB—PPI Conference on Public Pension Systems in Asia, Focus: Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam, and Thailand

Asia's population is aging and old-age income support and social services is an emerging challenge. Strengthening pension systems in Asia is therefore a key concern for inclusive development in the region. In many Asian countries, pension systems are still inadequate in terms of both coverage and delivery of stipulated benefits. This is particularly so for smaller economies of Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam—or commonly referred to as CLMVT economies. A number of structural issues such as governance, regulation, and institutional and administrative capacities hinder their development. Well-designed, well-functioning, and sustainable pension systems will promote inclusive growth by supporting old-age income and providing the much-needed social safety net. These issues and challenges are discussed in these summary proceedings of the Conference on “Strengthening Public Pension Systems in Asia”, which focused on CLMVT economies organized by the Asian Development Bank and the Pacific Pension & Investment Institute on 3–4 September 2015 in Bangkok.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to the majority of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



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